

Message Text

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ORIGIN AF-10

INFO OCT-01 ISO-00 L-03 EB-08 AID-05 TRSE-00 SSO-00
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DRAFTED BY AF/E:KPGARLAND:JJ
APPROVED BY AF/E:GBEYER
L/AF:CCANNADY
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AID:AFR:HJOHNSON
TREASURY:JGRIFFIN

-----059580 112228Z /12

O 112202Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY ADDIS ABABA IMMEDIATE

C O N F I D E N T I A L STATE 204031

E.O. 11652: GDS

TAGS: EINV, ET

SUBJECT: AID, COMPENSATION AND APPROACH TO MENGISTU
REF: A. ADDIS ABABA 3468; B. ADDIS ABABA 3458
1. HIGH-LEVEL STATE AND TREASURY OFFICIALS HAVE DECIDED
TO PROCEED WITH THE FOLLOWING THREE AID PROJECTS:

- MICRO-REGIONAL RURAL DEVELOPMENT (ORT) \$724,000.
- POPULATION, EDUCATION, AND TRAINING - \$200,000.
- INSTITUTE OF MANAGEMENT AND TRAINING - \$250,000.

AID/W CABLING AUTHORIZATION AND IMPLEMENTATION INSTRUCTIONS SEPTTEL.
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2. THIS ACTION WAS TAKEN IN AN EFFORT TO FACILITATE THE
IMPROVEMENT IN THE ATMOSPHERE BETWEEN OUR TWO COUNTRIES
AND IN THE HOPE THAT SUCH ACTION WILL ENCOURAGE THE
ETHIOPIAN GOVERNMENT TO MAKE SOLID PROGRESS ON THE
EXPROPRIATION ISSUES. WE DECIDED TO TAKE ANOTHER LOOK
AT THE SITUATION WHEN WE ARE READY TO OBLIGATE FUNDS

FOR THE SOUTHERN GEMU GOFA PHASE II AREA REHABILITATION

PROJECT - \$1,032,000 - TO SEE IF THE ETHIOPIAN GOVERNMENT IS MAKING SOLID PROGRESS. WE WILL MAKE A SIMILAR DECISION WHEN THE \$10 MILLION AGRICULTURAL SECTOR DEVELOPMENT PROJECT IS READY FOR AUTHORIZATION; HOWEVER, IT APPEARS THAT THERE WILL BE NO FUNDS AVAILABLE FOR THAT PROJECT IN FY 78 AND OBLIGATIONS WILL BE CARRIED OVER INTO FY 79.

3. IN REF A YOU MENTION POSSIBILITY OF UPCOMING MEETING WITH FINMIN. WE HOPE THAT MEETING IS HELD SOON AND CONTRIBUTES TO PROGRESS ON THE COMPENSATION PROBLEM. WE BELIEVE THAT TIME MAY HAVE COME, HOWEVER, TO ATTEMPT TO DISCUSS COMPENSATION QUESTION WITH MENGISTU. AS EMBASSY ITSELF INDICATED IN REF B, SIGNIFICANT PROGRESS ON EXPROPRIATIONS MAY REQUIRE HARD POLITICAL DECISIONS BY DIRG OR MENGISTU HIMSELF.

4. ACCORDINGLY, UNLESS YOUR MEETING WITH FINMIN MEETS NEED OF SIGNIFICANT FORWARD MOVEMENT (I.E. AGREEMENT TO A KALSEC "WASH"), YOU SHOULD SEEK AN EARLY MEETING WITH CHAIRMAN MENGISTU TO DISCUSS ISSUE. IF YOU SUCCEED IN SEEING MENGISTU, YOU MAY WISH TO DRAW ON THE FOLLOWING TALKING POINTS:
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-- I AM PLEASED THAT PMGSE BY SIGNING THE UPPER DIDESEA PROJECT HAS REAFFIRMED ITS DECISION TO WORK WITH USG ON DEVELOPMENT EFFORTS. USG IS IN PROCESS OF AUTHORIZING NEGOTIATIONS ON AN ADDITIONAL \$1.2 MILLION IN SUPPORT OF RURAL DEVELOPMENT ACTIVITIES IN GONDAR PROVINCE AND MANPOWER TRAINING EFFORTS. I MUST NOTE, HOWEVER, THAT UNLESS THERE IS SIGNIFICANT PROGRESS SOON ON THE EXPROPRIATION ISSUE MY GOVERNMENT MAY NOT BE ABLE TO AUTHORIZE ADDITIONAL DEVELOPMENT FUNDS.

-- BRIEF MENGISTU IN WHATEVER DETAIL YOU FEEL APPROPRIATE ON KALSEC PROPOSAL.

-- INFORM PMGSE THAT IF IT AND KALSEC AGREE TO MUTUALLY SATISFACTORY RESOLUTION OF THEIR CLAIMS AGAINST EACH OTHER, THE U.S. WILL REGARD THE RESOLUTION OF THIS PENDING CASE TO BE EVIDENCE OF THE SIGNIFICANT PROGRESS IN DEALING WITH PENDING EXPROPRIATION CLAIMS WHICH US LAW REQUIRES. WE WOULD THEREFORE NOT OPPOSE IFI LOANS TO ETHIOPIA, ON EXPROPRIATION GROUNDS, IN IMMEDIATE FUTURE.

-- USG ASKS THE CHAIRMAN TO INFORM THE COMPENSATION COMMISSION OF THE URGENCY IN RESOLVING THE KALAMAZOO SPICE PROPOSAL AND MOVING EXPEDITIOUSLY ON ALL U.S. CLAIMS.

-- IT IS OUR FEELING THAT THE AMERICAN CLAIMS MAY NOT BE AS DIFFICULT OR AS PRECEDENT-SETTING AS PMGSE SEEMS TO FEAR IF ETHIOPIANS WOULD JUST BEGIN TO DISCUSS THEM WITH COMPANIES.

-- YOU SHOULD REMIND CHAIRMAN MENGISTU THAT WE CONTINUE TO EXPECT DEMONSTRATED PROGRESS IN ARRIVING AT MUTUALLY ACCEPTABLE RESOLUTIONS OF THIS AND OTHER U.S. COMPENSA-
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TION CLAIMS. ABSENT SUCH PROGRESS, CONSISTENT WITH APRIL 4 STATEMENT BY AMERICAN EXECUTIVE DIRECTOR AT TIME OF VOTE ON IDA GRAIN STORAGE LOAN FOR ETHIOPIA, USG IN ACCORDANCE WITH U.S. LAW MAY HAVE TO OPPOSE ANY FURTHER ETHIOPIAN LOAN FROM THE IFI'S.

-- WE ARE PLEASED AT THE RECENT IMPROVEMENTS IN OUR BILATERAL RELATIONS. THE USG SINCERELY WISHES TO RESOLVE THE COMPENSATION ISSUE SO IT CAN NO LONGER POSE A THREAT TO THIS RECENT TREND OF IMPROVEMENT IN OUR RELATIONS.

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